

Message Text

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15

ACTION ARA-17

INFO OCT-01 ADP-00 AGR-20 AID-20 EB-11 COME-00 OMB-01

TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 L-03 STR-08

RSR-01 IGA-02 /095 W

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FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 9500

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E. O. 11652: N/ A

TAGS/ ECON, EFIN, EAID, BL

SUBJ: WHEAT/ FLOUR PROBLEM

1. ON MARCH 28, MININD/ COM OFFICIAL GAVE ECONOFF CONFIDENTIAL PAPER SUBMITTED TO CONEPLAN ON WHEAT/ FLOUR PRICE PROBLEM. STUDY NOTES THAT

IF PRESENT AVERAGE FLOUR PRICE OF 128 PESOS PER QUINTAL (EQUIVALENT TO \$139.13/ M. T.) IS MAINTAINED SUBSIDY REQUIRED IN 1973 EXPECTED REACH ABOUT \$6.7 MILLION. THIS EQUIVALENT TO 133 MILLION PESOS OR ABOUT 5 PERCENT OF TOTAL TREASURY BUDGET. TECHNICIANS RECOMMENDING

FLOUR PRICE BE ELEVATED TO 160 PESOS PER QUINTAL WHICH WOULD REDUCE SUBSIDY TO ABOUT \$1.4 MILLION OR 28 MILLION PESOS AND WOULD BE MANAGEABLE.

2. PRESIDENT BANZER HAS SEEN REPORT AND HIS REACTION REPORTED BE ENTIRELY NEGATIVE TO INCREASE IN FLOUR AND BREAD PRICE. PRESIDENT ALSO GAVE THIS VIEW TO AMBASSADOR.

3. FEELERS ALREADY BEING PUT OUT TO ASK USG WHAT IT CAN DO TO RELIEVE SITUATION, AFTER NOTING THAT NEGOTIATIONS WELL UNDERWAY TO OBTAIN PROMISED GRANT OF 10,000 M. T. FLOUR FROM ARGENTINA.

4. IN MEANTIME, ANOTHER CRITICAL SUPPLY SITUATION APPEARS BE DEVELOPING FOR FOLLOWING REASONS: 1) CONTINUED DELAYS IN OBTAINING 20,000 M. T. OF FLOUR FROM ARGENTINA NOW COMPLICATED BY DAMAGE TO A RAILWAY BRIDGE NEAR THE ARGENTINE BORDER; 2) CONTINUING DELAYS
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IN MOVING FLOUR STOCK FROM CHILEAN PORTS DUE LACK OF RAIL TRANSPORT;
3) SLOW ACTION IN COMPLETING IMPORT TRANSACTIONS UNDER P. A. FOR
29,100 M. T. WHEAT; AND 4) MILLERS CLAIM THAT PRICE DOMESTIC WHEAT
TOO HIGH AND THEY WILL SHUT DOWN RATHER THAN BUY AT PRESENT PRICE.
DELAYS IN ORDERING U. S. WHEAT UNDER PL-480 TITLE I DUE TO CONFLICTS
WITHIN GOB OVER WHEATHER AND HOW PAY SUBSIDY TO MAINTAIN PRESENT
FLOUR PRICE AND BETWEEN GOB AND MILLERS OVER HOW SUBSIDY TO BE
PAID.

5. IN RECENT DISCUSSIONS BETWEEN EMBASSY/ USAID AND GOB OFFICIALS,
LATTER INDICATED THEY WOULD MAKE NEW EFFORT TO INDUCE FARMERS IN
SANTA CRUZ AREA TO PLANT WHEAT IN MAY. USAID PLANNING GIVE
MAXIMUM SUPPORT THIS EFFORT.
SIRACUSA

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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